

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

RECEIVED

AUG 2 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)

DOCKET FILE COPY ORIGINAL

Federal-State Joint Board on)
Universal Service)

CC Docket No. 96-45

**FURTHER COMMENTS OF THE SOUTHERN NEW ENGLAND TELEPHONE
COMPANY**

The Southern New England Telephone Company (SNET) respectfully submits these further comments on specific questions in the Federal Communications Commission's (Commission) NPRM on Universal Service.¹ SNET generally concurs with the USTA response being filed today. Additionally, we will address specific areas in which our Connecticut experience may be of value to the Joint Board and the Commission.

I. Summary of SNET Responses to Specific Questions on Universal Service

We urge the Commission to allow the states maximum flexibility in instituting universal service programs. The federal universal service program should be transitioned, as competition increases, to culminate in an end user income-based assistance program only. The Commission should address universal service as it relates to interstate services and allow the states to address intrastate universal service needs.

¹ In the Matter of Federal-State Joint Board on Universal Service, Notice of Proposed Rulemaking and Order Establishing Joint Board (NPRM) CC Docket No. 96-45, released March 8, 1996. Common Carrier Bureau seeks further comment on specific questions in universal service NPRM [DA-1078], released July 3, 1996.

0+4

Connecticut enacted Public Act 94-83 over two years ago. That law mandated that all telecommunications markets in the state open to competition. To date the state has thirteen providers certified for local service and over 120 providers certified to provide intrastate/intralata toll service. Additionally, SNET has participated in numerous programs in the past to support telecommunications in the educational community of the state. This commitment will be fully realized this fall with our participation in the ConneCT '96 effort which will provide Internet access to schools and libraries in the state.

Connecticut is not unique among states in bringing competition to the telecommunications marketplace. Other state legislatures and commissions have sought goals similar to the Federal Telecommunications Act of 1996. Therefore, the Commission should set the minimum standards necessary to meet the requirements of the Act and allow the states to implement additional standards as they deem necessary. The states have been allowed in the past, and must continue in the future to be allowed, to evaluate, and establish where necessary, additional universal service mechanisms which meet the goals of the Act as they apply to state services. The Commission should ensure only that those goals are met as they relate to interstate services.

II. Responses to Specific Questions:

18. What states have established discount programs for telecommunications services provided to schools, libraries, and health care providers? Describe the programs, including the measurable outcomes and the associated costs.

In Connecticut, SNET has committed to participating in the ConneCT '96 initiative that is being administered by a statewide steering committee. SNET has agreed

to provide Internet service, free of charge for the 1996-1997 school year, to every school and public library in Connecticut in an effort to help bring Connecticut students, educators and residents further into the Information Age

Since 1988, SNET has been proactively supporting the use of telecommunications by public schools through the Links to Learning program. This program provides "seed" money which enables schools to implement telecommunications based projects in their classrooms via a competitive grant offering. Since 1988, over 20 schools have participated in the program. As a measure of the effectiveness of the program, we conducted a very informal survey in 1993 to determine if projects initially funded through SNET were being continued at the school's expense. Based on responses to that informal survey, it was apparent that the vast majority of schools introduced to telecommunications via the SNET Links to Learning program continued to support telecommunications projects at their own expense.

The Connecticut Department of Economic Development is currently implementing a project in the New Haven County area called Knowledge Plus (K+). This project will provide Internet access at a rate of 56kbps to approximately 150-200 sites (including municipal offices, libraries, and schools) in approximately fourteen communities. The sites pay a monthly fee to cover the operating costs of the telecommunications links and Internet services.

In its 1996 fiscal year, the State of Connecticut legislature approved a total of \$10.4 million for school infrastructure grants to enable schools to upgrade their internal wiring. Studies performed by the Connecticut Education Association and the Connecticut

Association of Boards of Education found that state school buildings lacked the capability to support the use of technology. The grant program was established to provide funding to schools on a competitive basis. A maximum of \$250,000 per school was mandated. Additionally, the State has established a telecommunications task force to review and recommend funding strategies for educational technology.

26. If the existing high-cost support mechanism remains in place (on either a permanent or temporary basis), what modifications, if any, are required to comply with the Telecommunications Act of 1996?

The existing high cost support mechanism should be reformed to narrow its focus to only those high-cost areas that have costs significantly above the national average. Funding for high-cost areas should principally rest with the states, with the federal funding targeted only to extremely high cost areas in which competition has not yet evolved.

As we have stated in our Comments and Reply Comments filed in this Docket, the majority of the universal service support responsibility should be left to the states, with only a minimum federal fund. Therefore, the existing high cost support mechanism should be transitioned to provide interstate funding for only extremely high cost areas, with the affected states instituting support mechanisms to the extent they deem appropriate. These issues are best left to the states for two principle reasons

First, there are varying levels of competition among the states. Some states have yet to experience any competition while other states are being courted by competitors in all markets. For example, the Connecticut telecommunications market is very different from that of most other states. Within the past two years, Connecticut has opened all of its telecommunications markets to competition. To date we have thirteen providers

certified to provide local service and over 120 providers certified for intrastate/intralata toll service. We urge the Commission to consider the variety of individual state telecommunications markets in developing any proposal to implement a nationwide universal service mechanism that comports with the Act. The extent to which competition is a reality directly affects the ability of historical pricing policies to sustain uneconomic subsidies in lieu of an explicit universal service fund. We recommend that the Commission minimize the federal component of universal service support in order to allow the states flexibility in addressing their unique universal service circumstances. Any federal universal service program that extends beyond the interstate jurisdiction could result in a transfer of wealth from one state to another which clearly is not desirable in meeting the objectives of the Act. The Commission should only address the universal service needs from an interstate perspective and allow the States to address state universal service requirements.

Second, some states have made major strides toward "rebalancing" rates and hence minimize existing subsidies. Such states are likely to have relatively little need for a fund, while others may have a significant need. State commissions are in the best position to make the necessary judgment based on local conditions.

28. What are the potential advantages and disadvantages of basing the payments to competitive carriers on the book costs of the incumbent local exchange carrier operating in the same service area?

As we have previously stated, the determination as to the appropriate manner in which to base universal service payments is best addressed at the state level. The nature of this question only serves to prove this point. Please see our response to question 26 above.

29. Should price cap companies be eligible for high-cost support, and if not, how would the exclusion of price cap carriers be consistent with the provisions of section 214(e) of the Communications Act? In the alternative, should high-cost support be structured differently for price cap carriers than for other carriers?

Price cap companies should not be eligible for high-cost support unless they meet the high-cost support test for their entire service area. Such an approach would be consistent with the Act since services and rates in high-cost areas could be averaged to achieve rates reasonably comparable to urban areas.

The states should be allowed to determine the appropriateness of any high-cost fund for their state and can then further address this issue. Please see our response to question 26 above.

30. If price cap companies are not eligible for support or receive high-cost support on a different basis than other carriers, what should be the definition of a "price cap" company? Would companies participating in a state, but not a federal, price cap plan be deemed price cap companies? Should there be a distinction between carriers operating under price caps and carriers that have agreed, for a specified period of time, to limit increases in some or all rates as part of a "social contract" regulatory approach?

For a federal universal service mechanism, price cap companies should be defined as those companies under price cap regulation at the federal level, allowing the states to determine the appropriate regulation for their companies independent of federal universal service eligibility criteria. As we have previously suggested, universal service plans should be minimized at the federal level to allow states to address universal service based on the unique situations in each state. Once again, the nature of this question only serves to prove this point. Please see our response to question 26 above.

32. If such a bifurcated approach is used, should those carriers initially allowed to use book costs eventually transition to a proxy system or a system of competitive bidding? If these companies are transitioned from book costs, how long should the transition be? What would be the basis for high-cost assistance to competitors under a bifurcated approach, both initially and during a transition period?

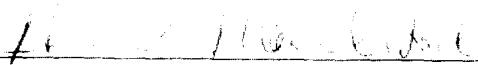
In order for any support system to meet the mandate of competitive neutrality as contained in the Act, all telecommunications providers must be treated equally. Therefore, any approach to provide support must be adopted for all companies, including incumbent providers. A transition period of five years would be appropriate. Also, please see our response to question 26 above.

71. Should the new universal service fund provide support for the Lifeline and Linkup programs, in order to make those subsidies technologically and competitively neutral? If so, should the amount of the lifeline subsidy still be tied, as it is now, to the amount of the subscriber line charge?

At this time the Commission should not change the Lifeline and Linkup programs in any way. Changes to these programs are not mandated by the Act. Furthermore, the proposed changes to the existing universal service mechanisms presently under discussion are extremely comprehensive in nature and would be better served by not trying to make them even more all encompassing. The Lifeline and Linkup programs are the only programs explicitly targeted to end users, and should remain intact as examples of appropriate federal programs, while transitioning other universal service mechanisms to the state jurisdictions.

Respectfully submitted,

The Southern New England Telephone Company

By: 
Anne U. MacClintock
Vice President - Regulatory Affairs & Public Policy
227 Church Street
New Haven, Connecticut 06510
(203) 771-8865

August 2, 1996

CERTIFICATE OF SERVICE

I, Diane Ehlert, hereby certify that I have caused copies of the foregoing Universal Service Fund CC Docket No. 96-45, further comments to be served this 2nd day of August, 1996, by United States mail, first class postage prepaid, unless otherwise indicated, to the following



Diane Ehlert

Reed E. Hundt, Chairman*
Federal Communications Commission
1919 M Street, NW - Room 814
Washington, DC 20554

Rachelle B. Chong, Commissioner*
Federal Communications Commission
1919 M Street, NW - Room 844
Washington, DC 20554

Susan Ness, Commissioner*
Federal Communications Commission
1919 M Street, NW - Room 832
Washington, DC 20554

Julia Johnson, Commissioner
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Kenneth McClure, Vice Chairman
Missouri Public Service Commission
301 W. High Street, Suite 530
Jefferson City, MO 65102

Sharon L. Nelson, Chairman
Washington Utilities & Transportation
Commission
P O. Box 47250
Olympia, WA 98504-7250

Laska Schoenfelder, Commissioner
South Dakota Public Utilities Commission
500 E. Capital Avenue
Pierre, SD 57501

Martha S. Hogerty
Public Counsel for the State of Missouri
P.O. Box 7800
Harry S. Truman Bldg., Room 250
Jefferson City, MO 65102

Deborah Dupont, Federal Staff Chair*
Federal Communications Commission
2000 L Street, NW - Suite 257
Washington, DC 20036

Paul E. Pederson, State Staff Chair
Missouri Public Service Commission
P.O. Box 360
Truman State Office Building
Jefferson City, MO 65102

Eileen Benner
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

Charles Bolle
South Dakota Public Utilities Commission
State Capital
500 E. Capital Avenue,
Pierre, SD 57501-5070

William Howden*
Federal Communications Commission
2000 L Street, NW - Suite 812
Washington, DC 20036

Lorraine Kenyon
Alaska Public Utilities Commission
1016 West Sixth Avenue, Suite 400
Anchorage, AK 99501

Debra M. Kriete
Pennsylvania Public Utilities Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Clara Kuehn*
Federal Communications Commission
2000 L Street, NW - Suite 257
Washington, DC 20036

Mark Long
Florida Public Service Commission
2540 Shumard Oak Blvd
Gerald Gunter Bldg
Tallahassee, FL 32399-0850

Samuel Loudenslager
Arkansas Public Service Commission
P.O. Box 400
Little Rock, AR 72203-0400

Sandra Makeeff
Iowa Utilities Board
Lucas State Office Building
Des Moines, IA 50319

Philip F. McClelland
Pennsylvania Office of Consumer
Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Michael A. McRae
D.C. Office of the People's Counsel
1133 15th Street, NW - Suite 500
Washington, DC 20005

Rafi Mohammed*
Federal Communications Commission
2000 L Street, NW - Suite 812
Washington, DC 20036

Terry Monroe
New York Public Service Commission
Three Empire Plaza
Albany, NY 12223

Andrew Mulitz*
Federal Communications Commission
2000 L Street, NW - Suite 257
Washington, DC 20036

Mark Nadel*
Federal Communications Commission
1919 M Street, NW - Room 542
Washington, DC 20554

Gary Oddi*
Federal Communications Commission
2000 L Street, NW - Suite 257
Washington, DC 20036

Teresa Pitts
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Jeanine Poltronieri*
Federal Communications Commission
2000 L Street, NW - Suite 257
Washington, DC 20036

James Bradford Ramsay
National Association of Regulatory Utility Commissioners
1201 Constitution Avenue, NW
Washington, DC 20423

Jonathan Reel*
Federal Communications Commission
2000 L Street, NW - Suite 257
Washington, DC 20036

Brian Roberts
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

Gary Seigel*
Federal Communications Commission
2000 L Street, NW - Suite 812
Washington, DC 20036

Pamela Szymczak*
Federal Communications Commission
2000 L Street, NW - Suite 257
Washington, DC 20036

Whiting Thayer*
Federal Communications Commission
2000 L Street, NW - Suite 812
Washington, DC 20036

Deborah S. Waldbaum
Colorado Office of Consumer Counsel
1580 Logan Street, Suite 610
Denver, CO 80203

Alex Belinfante*
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554